

**EXECUTIVE SECRETARIAT**  
**ROUTING SLIP**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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13	D/Pers				
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15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NID/ECON	✓			
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SUSPENSE		Date			

Remarks

*[Signature]*  
Executive Secretary

4/24/84

Date

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Executive Registry  
34-1874

OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

April 24, 1984

MEMORANDUM FOR OVP  
STATE  
DEFENSE  
AGRICULTURE  
COMMERCE  
OMB  
CIA  
USTR  
OPD  
NSC  
CEA  
OCA  
LABOR

- MR. G. PHILIP HUGHES  
- MR. CHARLES HILL  
- COL. JOHN STANFORD  
- MR. RAYMOND LETT  
- MRS. HELEN ROBBINS  
- MR. ALTON G. KEEL  
- [REDACTED]  
- MR. DENNIS WHITFIELD  
- MR. EUGENE MC ALLISTER  
- MR. ROBERT KIMMITT  
- MR. WILLIAM A. NISKANEN  
- MR. THOMAS GIBSON  
- MS. RUTH MORGENSTERN

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Subject Interagency Group on International Economic  
Policy (IG-IEP) Meeting

Assistant Secretary Mulford will chair a meeting of the IG-IEP on Friday, May 4, 10:30 a.m., in Room 4426, Main Treasury. The IG-IEP will discuss policy options for offsets. A discussion paper prepared by Treasury is attached.

Attendance will be principal plus one.

Christopher Hicks  
Executive Secretary and  
Special Assistant to the Secretary

Attachment



A  
B-223B



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MEMORANDUM FOR THE IG-IEP

From: Assistant Secretary Mulford

Subject: Policy Options for Offsets

In 1983, the IG undertook the first interagency consideration of the economic implications of offset requirements in military trade. Agencies provided comments on a series of questions on offsets as a way of determining what policy initiatives might be feasible and desirable. Responses were received from DOD, State, USTR, and Commerce. The responses are attached at Tab A.

Agency Comments

The Defense Department felt the offset issue was presented in the IG papers solely as an economic question, apart from its political and military context. It argued that offsets to military transactions should not be subjected to stricter policy guidelines than offsets to commercial deals. It stressed that the terms on which nations engage in arms production and trade are determined by a variety of political and military, as well as economic, factors and that the United States itself requires complete domestic sourcing of most foreign-designed systems. It pointed out, correctly, that the available data on offsets are far from complete and that even with better data, measurement of the full costs and benefits of offset deals would be difficult.

The State Department emphasized that security objectives rather than commercial ones motivate U.S. arms transfer policies, and offsets to military transactions should be viewed in the same context. It opposed any action which could limit the President's flexibility or obstruct U.S. arms transfer policy. It maintained that offsets have not been shown to be so serious an economic problem as to warrant initiatives which might create foreign policy problems. It expressed a willingness to participate in a careful economic study of the issue, and to help develop appropriate remedies.